

DIRECTORS' REVIEW REPORT

On behalf of the Board of Directors, we are pleased to present the financial results of the Bank of AJK for the nine months ended September 30, 2021.

Economy Review

The economy expanded robustly in fiscal year 2021 (July 2020–June 2021), due to stronger domestic demand and a healthy external sector. However, economic momentum has seemingly lost some steam in Q1 FY 2022 (July–September 2021), as a third wave of Covid-19 has likely hampered economic sentiment and weighed on activity—amid some partial lockdowns in place since July. Moreover, worker remittances and export growth averaged markedly lower in July–August relative to the previous quarter, boding poorly for overall GDP. Furthermore, industrial production posted the worst year-on-year result since June 2020 in July, as large-scale manufacturing growth slowed notably. On a positive note, affordable housing loans under the government's flagship markup subsidy scheme generated a surge in lending activity gain momentum in July–September-2021.

GDP growth is set to ease in FY 2022 (July 2021–June 2022) following FY 2021's rebound. Fixed investment and private consumption growth should slow as ongoing pandemic-related concerns and a moderating global economic recovery weigh on domestic demand. Downside risks stem from new variants of the virus, rising debt and geopolitical tensions. Focus Economics panelist's project growth of 4.0% in FY 2022, which is unchanged from the previous month's forecast. In FY 2023, our panel forecasts GDP growth of 4.5.

Financial Results and Overview

Highlights of the financial performance of the Bank are given below:-

	Nine Months Ended Sep. 30, 2021 (un-audited)	Nine Months Ended Sep. 30, 2020 (un-audited)
	<i>Rs. In million</i>	
Profit Before Provision and Tax	363	243
Profit Before Tax	342	219
Taxation	144	91
Profit after Tax	198	128

	Nine Months Ended Sep. 30, 2021 (un-audited)	December 31, 2020 (audited)
	<i>Rs. In million</i>	
Total Assets	23,924	16,819
Investment-Net	185	186
Advances-Net	2,632	2,247
Deposits	17,634	13,700

Profit Before Tax (PBT) for nine months was PKR 342 million as compared to PKR 219 million for similar period last year showed Rs. 123 Million increase over last. This increase is primarily attributable to the growth in net mark-up income of PKR 174 million.

The management is focused on strategically sizing the balance sheet with appropriate mix of earning assets vis-à-vis credit risk and deposits. During the Period, the Govt. of AJK having 100% shareholding, further injected RKR 2.8 billion toward Bank's Paid up Capital.

The assets base of the Bank increase from PKR 16.819 billion as at December 31, 2020 to PKR 23.924 billion as at September 30, 2021. Beside fresh injection in Paid up capital by Govt. of AJK, the increase is primarily attributable to the growth in the liabilities side, the Bank managed to mobilize low cost & medium to small ticket deposits with overall deposit cost of 4.04% and closed its deposits book at PKR 17,634 billion with an increase of PKR 3.925 billion over December 31, 2020 position.

Future Outlook

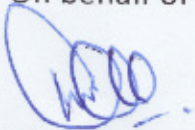
The Bank would continue to take effective measures for growth, keeping its core focus on steadily building up its earning assets; effectively managing the associated risks; and reduce its cost of funds through continued improvement in its deposit mix.

Acknowledgment

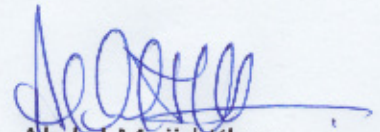
We wish to express sincere gratitude to our customers, business partners and shareholders for their patronage and trust. The Board of Directors and the management would like to thank the Govt. of AJK, State Bank of Pakistan and other regulatory bodies for their guidance and support to obtain scheduled status for BAJK.

We also sincerely appreciate the dedication, commitment, and team work of all employees of the Bank, who worked very hard to transform the Bank into a successful franchise.

On behalf of the Board of Directors.



Khawar Saeed
President/CEO

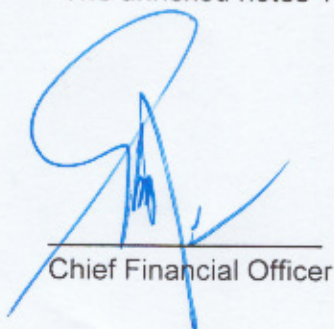


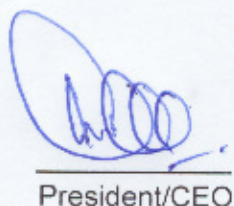
Abdul Majid Khan
Chairman

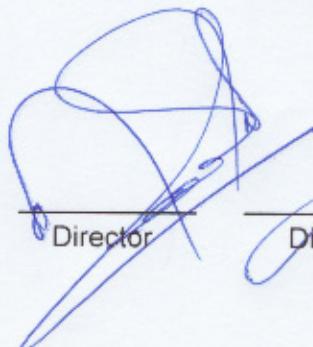
THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021

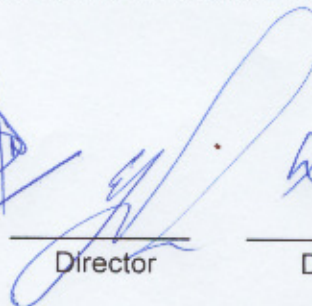
		(Un-audited)	(Audited)
	Note	September 30, 2021	December 31, 2020
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	5	5,227,767	3,454,865
Balances with other banks	6	14,408,615	9,825,491
Lendings to financial institutions		-	-
Investments	7	184,527	185,845
Advances	8	2,632,122	2,246,653
Fixed assets	9	249,204	230,026
Intangible assets		-	-
Deferred tax assets	10	24,681	26,407
Other assets	11	1,197,175	850,127
		23,924,091	16,819,414
LIABILITIES			
Bills payable	12	110,075	67,414
Borrowings		-	-
Deposits and other accounts	13	17,634,036	13,700,340
Liabilities against assets subject to finance lease		143,409	132,911
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	14	655,025	534,159
		18,542,545	14,434,824
NET ASSETS		5,381,546	2,384,590
REPRESENTED BY			
Share capital		4,929,911	2,129,911
Reserves		-	-
(Deficit) on revaluation of assets	15	(13,307)	(12,451)
Unappropriated profit		464,942	267,130
		5,381,546	2,384,590
CONTINGENCIES AND COMMITMENTS			
	16		

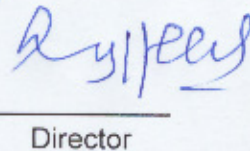
The annexed notes 1 to 30 form an integral part of these condensed interim financial statements.


 Chief Financial Officer


 President/CEO


 Director


 Director


 Director

THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

	Note	For the Quarter ended Sep. 30, 2021	For the Quarter ended Sep. 30, 2020	January to September 2021	January to September 2020
Mark-up / return / interest earned	17	473,937	411,737	1,248,146	1,157,024
Mark-up / return / interest expensed	18	<u>176,959</u>	<u>175,538</u>	<u>491,627</u>	<u>574,467</u>
Net mark-up/interest income		296,978	236,199	756,519	582,557

NON MARK-UP/INTEREST INCOME

Fee and commission income	19	5,690	4,786	17,380	12,255
Dividend income		6,854	8,372	7,244	9,187
Foreign exchange income		-	-	-	-
Income / (loss) from derivatives		-	-	-	-
Gain / (loss) on securities		-	-	-	-
Other income	20	682	2,318	3,741	4,015
Total non-markup/interest Income		13,226	15,476	28,365	25,457

Total Income	310,204	251,675	784,884	608,014
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NON MARK-UP/INTEREST EXPENSES

Operating expenses	21	151,633	117,659	421,768	365,024
Workers welfare fund		-	-	-	-
Other charges		-	-	-	-
Total non-markup/interest expenses		151,633	117,659	421,768	365,024

Profit before provisions		158,571	134,016	363,116	242,990
Provisions and write offs - net	22	6,319	6,182	21,157	23,693
Extra ordinary / unusual items		-	-	-	-

PROFIT BEFORE TAXATION

Taxation	23	72,113	53,655	144,147	91,105
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PROFIT/(LOSS) AFTER TAXATION

80.139	74.179	197.812	128.192
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Restated

BASIC AND DILUTED EARNINGS PER SHARE	24	<u>0.31</u>	<u>0.66</u>	<u>0.40</u>	<u>1.13</u>
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Chief Financial Officer

President/CEO

Director


Director

Director


THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

	January to September 2021	January to September 2020
Profit after taxation for the period	197,812	128,192
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	(857)	(599)
Total comprehensive income	<u>196,955</u>	<u>127,593</u>

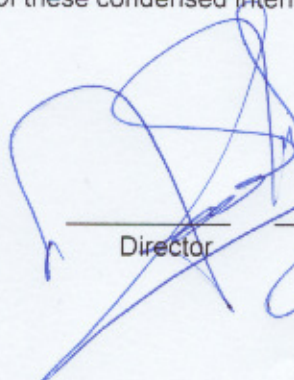
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Chief Financial Officer



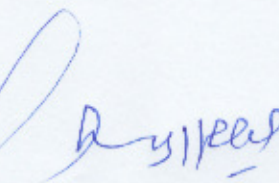
President/CEO



Director



Director

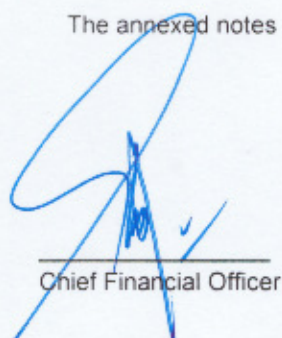


Director

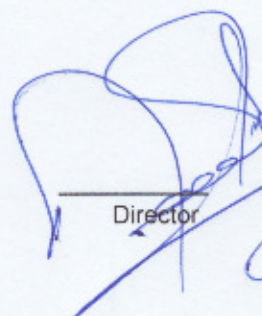
THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

	Note	January to September 2021	January to September 2020
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		341,959	219,297
Less: Dividend income		7,244	9,187
		<u>334,715</u>	<u>210,110</u>
Adjustments:			
Depreciation		16,419	18,144
Depreciation on right-of-use assets		18,139	21,108
Mark-up / return / interest expensed on lease liability against right-of-use assets		11,445	10,779
Provision and write-offs	22	21,157	23,693
(Gain) on sale of fixed assets		-	1,030
		<u>67,160</u>	<u>74,754</u>
		<u>401,875</u>	<u>284,864</u>
(Increase)/ Decrease in operating assets			
Advances		(406,626)	193,601
Others assets (excluding advance taxation)		(347,048)	(358,869)
		<u>(753,674)</u>	<u>(165,268)</u>
Increase/ (Decrease) in operating liabilities			
Bills Payable		42,661	28,420
Deposits		3,933,696	1,961,487
Other liabilities (excluding current taxation)		51,765	44,170
		<u>4,028,122</u>	<u>2,034,077</u>
Income tax paid		(85,063)	(56,928)
Net cash flow generated from operating activities		<u>3,591,260</u>	<u>2,096,745</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		-	-
Dividends received		7,244	9,187
Investments in operating fixed assets		(13,068)	(1,958)
Proceeds from sale of fixed assets		174	1,030
Net cash flow (used in) investing activities		<u>(5,650)</u>	<u>8,259</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		2,800,000	-
Payment of lease liability against right-of-use assets		(29,584)	(20,700)
Dividend paid		-	-
Net cash flow from / (used in) financing activities		<u>2,770,416</u>	<u>(20,700)</u>
Increase / (Decrease) in cash and cash equivalents		6,356,026	2,084,304
Cash and cash equivalents at beginning of the period		<u>13,280,356</u>	<u>10,314,178</u>
Cash and cash equivalents at end of the period		<u><u>19,636,382</u></u>	<u><u>12,398,482</u></u>

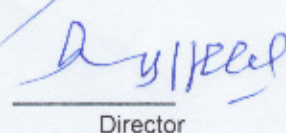
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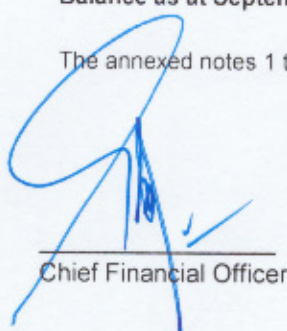

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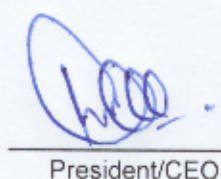

 Director

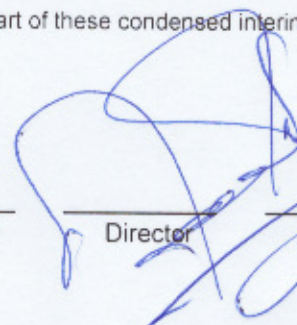
THE BANK OF AZAD JAMMU AND KASHMIR
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

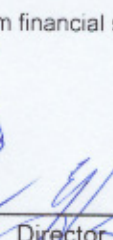
	Share Capital	Surplus/ (deficit) on revaluation of investments	Unappropriated profit	Total
	Rupees in '000			
Balance as at December 31, 2020	1,027,192	(17,289)	217,161	1,227,064
Profit after taxation for the Nine months ended September 30, 2020	-	-	128,192	128,192
Other comprehensive income - net of tax	-	(599)	-	(599)
Transactions with owners, recorded directly in equity				
Issue of bonus shares	102,719	-	(102,719)	-
Balance as at September 30, 2020	<u>1,129,911</u>	<u>(17,888)</u>	<u>242,634</u>	<u>1,354,657</u>
Profit after taxation for the quarter ended December 31, 2020	-	-	24,496	24,496
Other comprehensive income - net of tax	-	5,438	-	5,438
Transactions with owners, recorded directly in equity				
Issue of Shares against cash	1,000,000	-	-	1,000,000
Balance as at December 31, 2020	<u>2,129,911</u>	<u>(12,450)</u>	<u>267,130</u>	<u>2,384,591</u>
Profit / (loss) after taxation for the current period			197,812	197,812
Other comprehensive income - net of tax		(857)		(857)
Transactions with owners, recorded directly in equity				
Issue of Shares against cash	2,800,000	-	-	2,800,000
Issue of bonus shares	-	-	-	-
Balance as at September 30, 2021	<u>4,929,911</u>	<u>(13,307)</u>	<u>464,942</u>	<u>5,381,546</u>

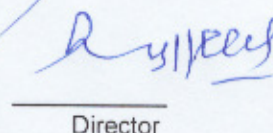
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Chief Financial Officer


President/CEO


Director


Director


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THE BANK OF AZAD JAMMU AND KASHMIR
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

1. STATUS AND NATURE OF BUSINESS

The Bank of Azad Jammu and Kashmir (the Bank) was established under The Bank of Azad Jammu and Kashmir Act, 2005 (the Act) and is principally engaged in commercial banking and related services as a non-scheduled bank in Azad Jammu and Kashmir State. The registered office of the Bank is situated at Bank Square, Chatter, Muzaffarabad, Azad Jammu and Kashmir. The Government of Azad Jammu and Kashmir holds directly and indirectly Bank's entire share capital at the year end.

The Bank has 75 branches (December 2020: 70 branches; September 2020: 70 branches) in Azad Jammu and Kashmir.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These condensed interim financial statements for the Nine Months ended September 30, 2021 are un-audited, and have been prepared in accordance with the requirements of the Act, its Bye-Laws and accounting and reporting standards as applicable in Pakistan for interim financial reporting for Banking.

The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB); and
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan (SBP).

Wherever the requirements of the Act, its byelaws, the Banking Companies Ordinance, 1962, or the directives issued by the SBP differ with the requirements of IFRS, the requirements of the Act, its byelaws, the Banking Companies Ordinance, 1962 and the directives prevail.

- 2.2** The disclosures made in this condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular Letter No. 05 of 2019 and International Accounting Standard 34, "Interim Financial Reporting". This condensed interim financial information do not include all of the disclosures required for annual financial statements and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the preceding annual financial statements of the Bank, for the year ended December 31, 2020.

3.1 Standards, interpretations of and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them.

	Effective from accounting period beginning on or after
-IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
-Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 15)	January 01, 2021
-Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - cost of fulfilling a contract	January 01, 2022
-Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
-State Bank of Pakistan vide its BPRD Circular No. 04 of 2019 dated 23 October 2019 has directed banks in Pakistan to implement IFRS 9 with effect from 01 January 2021	

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 17 - Insurance Contracts

3.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements is the same as that applied in the preparation of the financial statements for the year ended December 31, 2020.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these condensed interim unconsolidated financial statements are consistent with those followed in the preparation of the unconsolidated financial statements for the year ended December 31, 2020.

4.1 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the financial statements of the Bank for the year ended December 31, 2020.

(Un-audited) (Audited)
September 30, 2021 December 31, 2020
Rupees in '000

5 CASH AND BALANCES WITH TREASURY BANKS

In hand		
Local currency	218,861	130,520
With National Bank of Pakistan in		
Local currency current accounts	38,342	32,358
Local currency deposit account	300,584	21,662
Local currency Term deposit accounts	4,670,000	3,270,000
	5,008,906	3,324,020
Prize bonds	-	325
	5,227,767	3,454,855

6 BALANCES WITH OTHER BANKS

In Pakistan (Azad Jammu and Kashmir)		
In current accounts	168,500	182,289
In deposit accounts	14,240,115	9,643,202
	14,408,615	9,825,491

7 INVESTMENTS

7.1 Investments by type:

	(Un-audited) September 30, 2021				(Audited) December 31, 2020			
	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Rupees in '000							
Available-for-sale securities								
Units of open ended mutual funds	205,000	-	(20,473)	184,527	205,000	-	(19,155)	185,845
Held-to-maturity securities								
Term finance certificates - note 8.2	49,940	(49,940)	-	-	49,940	(49,940)	-	-
Total Investments	254,940	(49,940)	(20,473)	184,527	254,940	(49,940)	(19,155)	185,845

(Un-audited) (Audited)
September 30, 2021 December 31, 2020
Rupees in '000

7.2 Provision for diminution in value of investments

7.2.1 Opening balance	49,940	49,940
Charge for the period / year	-	-
Closing Balance	49,940	49,940

7.2.2 Particulars of provision against debt securities

Category of classification	(Un-audited) September 30, 2021		(Audited) December 31, 2020	
	NPI	Provision	NPI	Provision
Domestic				
Loss	49,940	(49,940)	49,940	(49,940)
Total	49,940	(49,940)	49,940	(49,940)

8 ADVANCES

	Performing		Non Performing		Total	
	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020	September 30, 2021	December 31, 2020
	Rupees in '000					
Loans, cash credits, running finances, etc.	2,659,451	2,240,135	197,167	209,657	2,856,618	2,449,992
Advances - gross	2,659,451	2,240,135	197,167	209,657	2,856,618	2,449,992
Provision against advances						
- Specific	-	-	(151,353)	(147,620)	(151,353)	(147,620)
- General	(73,143)	(55,719)	-	-	(73,143)	(55,719)
	(73,143)	(55,719)	(151,353)	(147,620)	(224,496)	(203,339)
Advances - net of provision	2,586,308	2,184,416	45,814	62,037	2,632,122	2,246,653

		(Un-audited) September 30, 2021	(Audited) December 31, 2020
		Rupees in '000	
8.1	Particulars of advances (Gross)		
	In local currency	2,856,618	2,449,992

8.2 Advances include Rs. 197,167 thousand (2020: 209,857 thousand) which have been placed under non-performing status as detailed below:-

Category of Classification	(Un-audited) September 30, 2021		(Audited) December 31, 2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
Domestic	78	-	748	-
Other Assets Especially Mentioned	16,969	3,364	17,380	2,452
Substandard	10,769	5,197	7,769	1,141
Doubtful	169,351	142,792	183,960	144,027
Loss	197,167	151,353	209,857	147,620
Total				

8.3 Particulars of provision against advances	(Un-audited) September 30, 2021			(Audited) December 31, 2020		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	147,620	55,719	203,339	130,093	41,867	171,960
Charge for the period / year	14,666	17,424	32,090	37,539	13,852	51,391
Reversals	(10,933)	-	(10,933)	(20,012)	-	(20,012)
	3,733	17,424	21,157	17,527	13,852	31,379
Closing balance	151,353	73,143	224,496	147,620	55,719	203,339

8.3.1 Particulars of provision against advances	(Un-audited) September 30, 2021			(Audited) December 31, 2020		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	151,353	73,143	-	147,620	55,719	203,339
	151,353	73,143	-	147,620	55,719	203,339

		(Un-audited) September 30, 2021	(Audited) December 31, 2020
		Rupees in '000	
9	FIXED ASSETS		
	Capital work-in-progress	9.1	7,175
	Property and equipment	9.2	242,029
			249,204

9.1	Capital work-in-progress		
	Advances to suppliers	7,175	8,101
	This represents advance to suppliers in respect of purchase of office equipment, computers and furniture.		

9.2 This includes right-of-use assets amounting to Rs. 113,892 thousand (2020 : 119,625) due to adoption of IFRS 16.

		(Un-audited) September 30, 2021	(Un-audited) March 31, 2020
		Rupees in '000	
9.2	Additions to fixed assets		

The following additions have been made to fixed assets during the period:

Capital work-in-progress	(926)	1
Property and equipment		
Freehold land	-	-
Building on freehold land	430	-
Leasehold Improvements	56	810
Furniture and fixture	1,643	983
Electrical office and computer equipment	3,983	-
Vehicles	7,882	-
Others	-	-
Total	13,994	1,793
	13,068	1,794

		(Un-audited) September 30, 2021	Audited December 31, 2020
		Rupees in '000	
10	DEFERRED TAX ASSETS		
	Deductible Temporary Differences on		
	- Accelerated tax depreciation	12,729	14,917
	- Provision against receivable from Kashmir Council	1,685	1,685
	- Provision against customer claims	3,101	3,101
	- Deficit on revaluation of investments	7,166	6,704
		24,681	26,407
	Net deferred tax assets	24,681	26,407
11	OTHER ASSETS		
	Income/ mark-up accrued in local currency - net of provision - note 11.1	981,531	840,757
	Advances, deposits, advance rent and other prepayments	9,165	3,206
	Advance taxation (payments less provisions)	-	-
	Branch adjustment account	19,019	-
	Stationery and stamps in hand	9,029	3,526
	Others	183,246	7,453
		1,201,990	854,942
	Less: Provision held against other assets	(4,815)	(4,815)
	Other Assets (Net of Provision)	1,197,175	850,127
11.2	Provision held against other assets		
	Receivable from Kashmir Council	(4,815)	4,815
12	BILLS PAYABLE		
	In Pakistan	110,075	67,414
13	DEPOSITS AND OTHER ACCOUNTS		
		(Un-audited) September 30, 2021	Audited December 31, 2020
		In Local Currency	In Local Currency
		In Foreign currencies	In Foreign currencies
		Total	Total
		Rupees in '000	
	Customers	6,004,870	3,645,063
	Current deposits	-	-
	Savings deposits	8,035,812	6,821,386
	Term deposits	3,565,539	2,950,163
	Others	27,815	283,728
		17,634,036	13,700,340
14	OTHER LIABILITIES		
	Mark-up/ return/ interest payable in local currency - note 15.1	172,771	219,505
	Accrued expenses	105,283	3,097
	Income tax payable	90,886	33,971
	Branch adjustment account	-	159,152
	Provision for bonus to employees	19,804	20,000
	Provision against customer claims	8,861	8,861
	Leave encashment	39,242	50,814
	Education cess	14,344	11,173
	Others	203,854	27,586
		655,025	534,159
14.1	It includes an amount of Rs. 65,689 thousand (2020: Rs. 70,907 thousand) on account of interest payable to related parties.		
15	DEFICIT ON REVALUATION OF ASSETS		
	Deficit on revaluation of		
	- Available for sale securities	(20,473)	(19,155)
	Deferred tax on surplus / (deficit) on revaluation of:		
	- Available for sale securities	7,166	6,704
		(13,307)	(12,451)

16 CONTINGENCIES AND COMMITMENTS

-Guarantees
-Commitments
-Bills for collection

16.1	24,533	49,622
16.2	89,975	79,180
16.4	10,312	14,601
	<u>124,820</u>	<u>143,403</u>

16.1 Guarantees:

Financial guarantees

24,533	49,622
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September 30, 2021 December 31, 2020
Rupees in '000

16.2 Commitments:

Loan sanctioned but not disbursed
Unavailed running finance

48,333	33,319
41,642	45,861
<u>89,975</u>	<u>79,180</u>

16.3 Due to adoption of IFRS-16 there is no commitment in respect of operating lease.

16.4 Bills for collection

Bills for collection represent bills drawn in favour of various financial institutions on behalf of the Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.

January to
September
2021

January to
September
2020

Rupees in '000

17 MARK-UP / RETURN / INTEREST EARNED

On:

- a) Loans and advances
b) Investments
d) Balances with banks

285,819	202,102
-	-
962,327	954,922
1,248,146	1,157,024

18 MARK-UP/RETURN/INTEREST EXPENSED

On:

- a) Deposits
b) Lease liability against right-of-use- assets

480,182	563,688
11,445	10,779
491,627	574,467

19 FEE & COMMISSION INCOME

- Branch banking customer fees
Commission on cheques books
Credit related fees
Commission on guarantees
Commission on remittances
Commission on call deposit
Commission on utility bills
Postages charges
Others

2,387	1,602
3,680	2,894
4,297	2,911
444	559
1,023	357
81	1
3,721	3,335
697	476
1,050	120
17,380	12,255

20 OTHER INCOME

other Income

3,741	4,015
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		January to September 2021	January to September 2020
		Rupees in '000	
21	OPERATING EXPENSES		
	Total compensation expense	265,142	227,327
	Property expense		
	Rent & taxes	16	19
	Insurance	2,052	1,492
	Utilities cost	15,158	13,486
	Security (including guards)	23,188	21,191
	Repair & maintenance (including janitorial charges)	6,799	5,106
	Depreciation on right-of-use assets	18,139	21,108
	Depreciation on owned fixed assets	7,002	6,294
		72,354	68,696
	Information technology expenses		
	Software maintenance	17,895	10,228
	Hardware maintenance	1,500	1,382
	Depreciation	3,925	4,951
	Network charges	5,257	4,577
		28,577	21,138
	Other operating expenses		
	Directors' fees and allowances	2,357	2,809
	Legal & professional charges	3,107	272
	Travelling & conveyance	11,391	8,278
	Depreciation	5,492	6,899
	Entertainment	7,886	5,707
	Training & development	102	242
	Postage & courier charges	2,348	2,268
	Communication	2,765	2,494
	Stationery & printing	6,328	7,173
	Marketing, advertisement & publicity	274	561
	Auditors Remuneration	1,854	1,724
	Others	11,791	9,436
		55,695	47,863
		421,768	365,024
		January to September 2021	January to September 2020
		Rupees	
22	PROVISIONS & WRITE OFFS - NET		
	(Reversal)/Charge of provisions against loans & advances - net	8.3	21,157
			23,693
23	TAXATION		
	Current	141,958	88,224
	Deferred	2,189	2,881
		144,147	91,105
24	BASIC EARNINGS/ (LOSS) PER SHARE		
	Profit for the period	197,812	128,192
	Number of ordinary shares	492,991,200	112,991,200
	Basic earnings per share	0.40	1.13

25 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

25.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Un-Audited September 30, 2021				
	Level 1	Level 2	Level 3	Total
Rupees in '000				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Mutual Fund	184,527	-	-	184,527

Audited December 31, 2020				
	Level 1	Level 2	Level 3	Total
Rupees in '000				
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Mutual Fund	185,845	-	-	185,845

26 Segment details with respect to business activities

For the Nine months ended September 30, 2021 (Un-audited)					
Profit & Loss	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000					
Net mark-up/return/profit	257,092	499,428	-	-	756,520
Non mark-up / return / interest income	253	10,810	12,552	4,749	28,364
Total Income	257,345	510,238	12,552	4,749	784,884
Segment direct expenses	85,029	331,023	4,147	1,569	421,768
Total expenses	85,029	331,023	4,147	1,569	421,768
Provisions charged / (reversal)	3,733	17,424	-	-	21,157
Profit before tax	168,583	161,791	8,405	3,180	341,959

as at September 30, 2021

Balance Sheet

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000					
Cash & Bank balances	-	19,636,382	-	-	19,636,382
Investments	-	184,527	-	-	184,527
Advances - performing	2,419,498	239,953	-	-	2,659,451
- non-performing	48,013	149,154	-	-	197,167
- provision	(110,628)	(113,868)	-	-	(224,496)
Operating fixed assets	50,240	195,587	2,450	927	249,204
Deferred tax asset	4,975	19,371	243	92	24,681
Others	936,446	257,807	2,120	802	1,197,175
Total Assets	3,348,544	20,568,913	4,813	1,821	23,924,091
Bills payable	-	110,075	-	-	110,075
Deposits & other accounts	-	17,634,036	-	-	17,634,036
Others	96,411	699,946	1,507	570	798,434
Total liabilities	96,411	18,444,057	1,507	570	18,542,545
Equity	3,252,133	2,124,856	3,306	1,251	5,381,546
Total Equity & liabilities	3,348,544	20,568,913	4,813	1,821	23,924,091

Contingencies & Commitments

58,645	66,175	-	-	124,820
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For the nine months ended September 30, 2020 (Un-audited)

Profit & Loss

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000					
Net mark-up/return/profit	164,405	449,841	-	-	614,246
Non mark-up / return / interest income	106	13,090	8,813	3,335	25,344
Total Income	164,511	462,931	8,813	3,335	639,590
Segment direct expenses	93,889	264,202	5,030	1,903	365,024
Total expenses	93,889	264,202	5,030	1,903	365,024
Provisions charged / (reversal)	16,751	6,942	-	-	23,693
Profit before tax	53,871	191,787	3,783	1,432	250,873

As at December 31, 2020 (Audited)

Balance Sheet

	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Total
Rupees in '000					
Cash & Bank balances	-	13,280,356	-	-	13,280,356
Investments	-	185,845	-	-	185,845
Advances - performing	1,844,384	395,751	-	-	2,240,135
Advances - non-performing	172,783	37,074	-	-	209,857
Advances - provision	(167,416)	(35,923)	-	-	(203,339)
Operating fixed assets	34,137	193,107	2,090	691	230,026
Deferred tax asset	3,919	22,169	240	79	26,407
Others	693,616	156,398	85	28	850,127
Total Assets	2,581,423	14,234,777	2,415	798	16,819,414
Bills payable	-	67,414	-	-	67,414
Deposits & other accounts	-	13,700,340	-	-	13,700,340
Liabilities against assets subject to finance lease	19,725	111,579	1,208	399	132,911
Others	24,878	348,660	160,614	7	534,159
Total liabilities	44,603	14,227,993	161,822	406	14,434,824
Equity	2,536,820	6,784	(159,407)	393	2,384,590
Total Equity & liabilities	2,581,423	14,234,777	2,415	799	16,819,414

Contingencies & Commitments

32,319	96,483	14,601	143,403	286,806
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27 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence. The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the terms of the

Details of transactions with related parties during the period, other than those which have been disclosed elsewhere in these financial statements are as follows.

	(Un-audited) September 30, 2021		(Audited) December 31, 2020	
	Government of Azad Jammu & Kashmir and its related department	Key management personnel	Government of Azad Jammu & Kashmir and its related department	Key management personnel
	(Rupees in '000)			
Advances				
Opening balance	-	32,503	210,992	39,176
Addition/Repaid during the period / year	-	17,809	(210,992)	(6,673)
Closing balance	-	50,312	-	32,503
Provision held against advances	-	-	-	-
Other Assets				
Interest / mark-up accrued	-	-	-	-
Deposits and other accounts				
Opening balance	5,439,545	663	4,542,797	9,301
Received/Withdrawal during the period / year	2,889,186	2,424	896,748	(8,638)
Closing balance	8,487,731	3,087	5,439,545	663
Other Liabilities				
Interest / mark-up payable	65,689	-	70,907	-
Contingencies and Commitments				
Unavailed running finance	-	-	-	-

RELATED PARTY TRANSACTIONS

	(Un-audited) For the Nine months ended September 30, 2021		(Un-audited) For the Nine months ended September 30, 2020	
	Government of Azad Jammu & Kashmir and its related department	Key management personnel	Government of Azad Jammu & Kashmir and its related department	Key management personnel
	(Rupees in '000)			
Income				
Mark-up / return / interest earned	-	690	2,330	1,056
Expense				
Mark-up / return / interest paid	187,245	34	161,093	64

(Un-audited) (Audited)
September December
30, 2021 31, 2020
Rupees in '000

28 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

Minimum Capital Requirement (MCR):

Paid-up capital (net of losses)

10,000,000 10,000,000

Capital Adequacy Ratio (CAR):

Eligible common equity tier 1 (CET 1) capital

Eligible additional tier 1 (ADT 1) capital

Total regulatory adjustment applied to CET1

Total Eligible Tier 1 Capital

Eligible Tier 2 Capital

Total Eligible Capital (Tier 1 + Tier 2)

5,394,853	2,397,041
-	-
(13,307)	(12,451)
5,381,546	2,384,590
73,143	55,719
5,454,689	2,440,309

Risk Weighted Assets (RWAs):

Credit Risk

Market Risk

Operational Risk

Total

7,892,303	6,234,069
369,054	371,690
1,203,784	1,227,059
9,465,141	7,832,818

Common Equity Tier 1 Capital Adequacy Ratio

Tier 1 Capital Adequacy Ratio

Total Capital Adequacy Ratio

57.00%	30.60%
56.86%	30.44%
57.63%	31.15%

Leverage Ratio (LR):

Eligible Tier-1 Capital

Total Exposure

Leverage Ratio

5,381,546	2,384,590
23,948,624	16,962,817
22%	14%

Liquidity Coverage Ratio (LCR):

Total High Quality Liquid Assets

Total Net Cash Outflow

Liquidity Coverage Ratio

19,636,382	13,280,356
5,055,695	3,948,564
388%	336%

Net Stable Funding Ratio (NSFR):

Total Available Stable Funding

Total Required Stable Funding

Net Stable Funding Ratio

15,208,540	9,819,306
11,167,049	7,749,991
136%	127%

29 GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

30 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue by the Board of Directors of the Bank on -----.

Chief Financial Officer

President/CEO

Director

Director

Director